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The Ibanez administration in Chile will be seriously weakened by the impending loss of revenue from copper sales and may attempt to ease its difficulties by selling indirectly to the Orbit.

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CEYLON GOVERNMENT CONTROLS WIDESPREAD UNREST. . . . Page 15

The widespread rioting and sabotage which began in Ceylon on 12 August was a result of cooperation among the leftist parties. The government has clearly demonstrated its intention to suppress any further unrest.

SOVIET AIRFIELD PROGRAM IN EUROPEAN SATELLITE AREA . . Page 17

The Soviet Union is continuing the program of expanding its airfield complex in the Eastern European Satellites. There are now 82 major airfields in this area compared to 62 a year ago and 11 at the end of World War II. (SEE MAP)

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THE SOVIET WORLD

Soviet moves during the first week of the special UN session on Korea were aimed primarily at exploiting the divergence of views between the US and other members on the character and scope of the Korean political conference.

Moscow appeared anxious to block US efforts to limit conference membership to the "two sides," with the USSR participating only if the other side desires it. Vyshinsky on 25 August opposed "a restrictive construction" of Article 60 of the armistice agreement and advocated a round-table conference open to "those countries directly concerned in settlement of the Korean question."

While Moscow has given no explicit indication of the questions the political conference should consider, Chou En-lai has called for discussion of "other questions affecting the Far East" after consideration of the Korean items outlined by Article 60 of the armistice agreement. Peiping favors New Delhi as the site of the conference. In this connection, Peiping's views on composition and voting procedure as privately expressed on 17 August are identical with Vyshinsky's proposals in the UN on 18 August, suggesting that Moscow and Peiping have reached prior agreement on all important conference issues.

The Communists may seek to prolong UN debate in an attempt to isolate the US on key issues regarding membership, conference site, and agenda. This tactic is suggested by Soviet encouragement of Indian aspirations to assume a more active role in the UN debate. The Communists may also hope to throw final decisions on political conference questions into this fall's Eighth General Assembly, which may have an Indian president.

The appointment of career diplomat S. P. Suzdalev as Soviet ambassador to North Korea marks the twenty-first shift in the ranks of the Soviet Union's 46 top diplomatic posts since Stalin's death. Suzdalev, a Far Eastern expert, replaces General Razuvayev, who was last reported in North Korea in February, a logical change following the Korean armistice.

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Several of the new ambassadors -- notably those to China, India, Poland and Rumania -- have in the past dealt wholly with Soviet internal matters, and each of these four appears to have slipped from a position of greater prominence in Communist Party affairs.

Four of the new appointments resulted from high-level political decisions -- the change to civilian high commissioners in Germany and Austria, and the exchange of ambassadors with Yugoslavia and Israel. While most of the other shifts appear to be routine rotations, some of them place skilled diplomats in those countries which are the most important targets of the new peace offensive.

The timing of the East German visit to Moscow, the nature of Malenkov's speech, and the promised return of prisoners of war, all indicate an attempt to defeat Chancellor Adenauer in the 6 September West German elections. The longer-range purpose of the extensive economic concessions is apparently to make the Soviet zone a more dependable and contented -- if less immediately profitable -- satellite.

In a major policy speech on 22 August, Premier Gheorghiu-Dej announced a liberalization of Rumania's economic policies. He stressed the need for giving increased attention to the private peasant and admitted that Rumania has previously placed too great an emphasis on heavy industry.

Belgium has informed COCOM that it is considering a three-year trade agreement with the USSR which will triple annual trade over the 1952 level. Soviet exports will include magnesium ore and other "strategic" raw materials, while the only Soviet imports of possible strategic importance are 10 small refrigerator ships.

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FRENCH ACTION IN MOROCCO CREATES NEW PROBLEMS

Although the French government's replacing of the sultan in Morocco will enable French authorities to revamp the protectorate's administration, the basic conflict between Moroccan desires for home rule and the French wish to maintain absolute control remains unresolved. American air bases in the area may be endangered.

On 20 August the French cabinet finally yielded to pressure from the Residency General and French vested interests in Morocco and approved the removal of Sidi Mohamed ben Youssef as sultan of Morocco, replacing him with an aged cousin, Moulay Mohamed ben Arafa, who will be only a figurehead. The latter, who had been declared the religious ruler of Morocco by tribal chieftain El Glaoui six days earlier, precipitating the latest crisis, was confirmed as sultan by religious elders on 21 August.

French-proposed "reforms," alleged to be the point at issue between the former sultan and French authorities, will almost certainly be approved by the new sultan. These measures superficially modernize the local government by imposing a facade of quasi-democratic institutions. Theoretically they provide for separation of executive, legislative, and judicial power. Actually they legalize centralized direct French administration in the protectorate.

France's gains through ousting the sultan are far outweighed by its prospective losses, however. Replacement of the able and moderate Ben Youssef has won some political support from feudal tribesmen and seekers of political plums, but will probably alienate the growing middle class, which includes the bulk of the Western-educated and politically conscious Arabs and Berbers.

The allegiance of El Glaoui, who spearheaded the anti-sultan movement, cannot be depended on. Having won a personal victory, his demands will probably be excessive and his activities cause the French more trouble.

Dethronement of the popular sultan will increase the animosity toward the French among the approximately two million Arabs and Berbers who sympathize with the nationalist Istiqlal party, which has about 100,000 hard-core members. The Istiqlal party may now abandon moderation and resort to underground

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terrorism. Although it is not known to have any military equipment and could not now stage a full-scale rebellion, it can be expected to try to obtain foreign support, secure weapons, and subvert native troops. Despite extensive security measures, isolated incidents of violence are already taking place.

France's policy is assured of the indirect support in the UN of other colonial powers, particularly the United Kingdom. Spain, which holds a protectorate over northern Morocco, is not likely to grant approval so long as Madrid continues its policy of rapprochement with the Arab states. The immediate denunciation of France by the Arab-Asian bloc and its request for Security Council action will probably be supported by the anticolonial nations.

The removal of the sultan worsens the position of the United States in Morocco. Anti-American feeling among the natives in general and the nationalists in particular will grow because they hoped that the US would intercede with France on their behalf.

The four operational American air force and naval air bases in Morocco may be targets for sabotage if local Communists or nationalists resort to terrorism. At the same time, French settlers and vested interests in Morocco, which are highly suspicious of American intentions, may put pressure on Paris to prolong the delays in building the other two bases provided for in a French-American agreement of December 1950.

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EVACUATION OF CHINESE NATIONALISTS FROM BURMA APPEARS DOUBTFUL

The committee of American, Burmese, Chinese Nationalist, and Thai representatives meeting in Bangkok for the past three months has not succeeded in arranging the evacuation of any of the approximately 12,000 Chinese Nationalist troops in Burma, although a few hundred may yet be removed.

Although the committee was successful in devising an evacuation plan on 21 June, implementation has been thwarted by the loose Nationalist control over the troops involved and Taipei's delaying actions, which contrast with its repeated assurances of cooperation.

Taipei has not yet even approved the evacuation plan because it makes no provision for the disposition of 200 to 300 Chinese civilians imprisoned by the Burmese on charges of collaborating with the Nationalist forces. Although the Burmese claim that this issue is outside the committee's competence, the American embassy in Rangoon believes that they might accept a compromise on this question if convinced that it will lead to an over-all agreement.

Several field commanders under General Li Mi, who is in Formosa but still in nominal command of the troops in Burma, have been in Bangkok since June and have consistently hampered the committee's work by refusing to cooperate. Their actions reportedly caused Chiang Kai-shek personally to instruct Li Mi on 3 July to order his subordinates to cooperate, and resulted in the dispatch to Bangkok a few days later of Li's deputy in Formosa. This emissary, however, proved to have no real authority and was unable to persuade the leaders at Mong Hsat, the Nationalist headquarters in Burma, to change their attitude.

The next maneuver involved the recall on 29 July of the ranking field commander to Taipei for consultation. He returned to Mong Hsat in early August accompanied by Shao Yu-lin, a personal representative of Chiang Kai-shek, to "explain" the necessity for evacuation. In addition, the Nationalist foreign minister indicated that orders had been issued to evacuate 2,000 to 3,000 troops, and that Li Mi would dissolve the "Yunnan anti-Communist national salvation force."

The committee in Bangkok was informed on 20 August that Shao hopes to evacuate 400 troops by the end of August if the committee can obtain a Burmese commitment to a cease-fire, provide neutral guards for safety zone at Thakilek, and arrange air transportation to Formosa (see map, p. 12). While this report may presage a positive achievement, the demand for a cease-fire is a question on which the Chinese and Burmese have never agreed. Moreover, Li Mi has expressed an intention to retain the Mong Hsat headquarters even after the "evacuation." This, coupled with indications that the Nationalist forces are continuing to receive supplies by both air and land, strongly suggests that any withdrawal will be no more than a gesture on the part of Taipei.

Whatever the Nationalist intentions may be, Burmese impatience has been mounting perceptibly. Rangoon insists that the removal of all of the Nationalists is the only acceptable solution. General Ne Win, the Burmese commander in chief, has stated that Burma's representatives in Bangkok will be recalled when the next regular session of the UN General Assembly convenes on 15 September unless definite results are obtained.

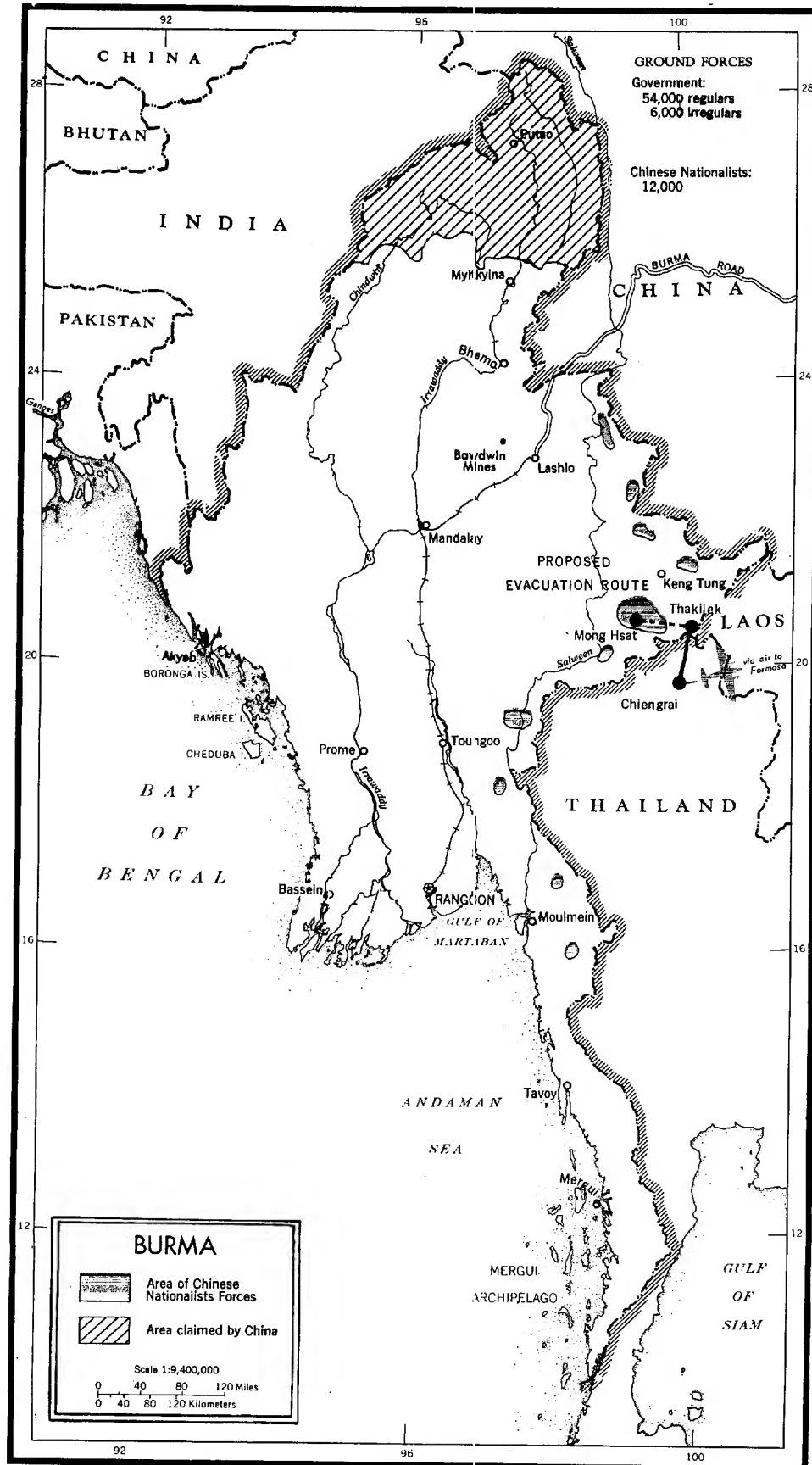
There is evidence that the Burmese are considering at least three future courses of action. Some reports suggest that Burma may request the UN to brand Formosa an aggressor and to unseat its delegation.

The American army attache in Rangoon reports that the Burmese are building up their forces for new, large-scale military operations against the Chinese. He does not expect this campaign to begin, however, until the issue has been discussed in the UN.

Finally, Burma's acting foreign minister has expressed his doubts of the UN's ability to solve the Nationalist affair and indicated that he was considering the possibility of an agreement with Peiping under which Chinese Communist troops would enter Burma to assist in the elimination of the Nationalist forces. While the Burmese government has heretofore been wary of Chinese Communist involvement in the problem, such a step has been previously alluded to by the progovernment press and other officials, and cannot be dismissed as an idle threat.

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THE COPPER CRISIS IN CHILE

The Chilean government's decision, announced on 21 August, to end all its predecessor's restrictions on "foreign, political, and trade relations" highlights the severe financial crisis facing it as a result of the drop in the world demand for copper. The Ibanez administration will be seriously weakened by the impending loss of revenue and, though still unwilling to flout the Battle Act directly, may attempt to ease its difficulties by making copper sales in which the metal is ultimately destined for the Orbit.

Copper sales are a government monopoly in Chile, and estimated receipts from copper operations comprise some 20 percent of the income anticipated in the 1953 budget. Lagging exports caused by lessening world demand and Chile's insistence on a price roughly six cents per pound above the world price of about 30 cents have created a stockpile of approximately 70,000 tons, or one sixth of the country's annual copper production.

Under present conditions, a drop of one cent per pound in price means an \$8,000,000 annual loss in government revenue, although attempts will almost certainly be made to make the copper producers absorb at least part of any price reduction.

There are indications that in the absence of United States assistance on this problem Chile might move to nationalize the American-owned copper companies with their investment of over \$500,000,000, or sell to the Orbit, either directly or by transshipment. Finance Minister Herrera has told Ambassador Bowers that in his opinion sales in Switzerland or Italy would not contravene the Battle Act despite Chile's knowledge of the copper's ultimate destination.

Neither nationalization nor sales to the Orbit would actually solve the government's problem. Chile lacks the capital and the know-how to operate the industry effectively, and the Orbit probably does not need more than one fourth of Chile's annual production. Furthermore, the Orbit countries probably would refuse to pay higher than world prices indefinitely and would soon seek to pay in other than the dollars Chile needs.

Moreover, it does not seem probable that Chile would risk losing all United States aid by initiating direct trade with the Orbit at this time. The sums immediately involved in any termination of American aid would be approximately \$15,000,000 in military aid, \$8,000,000 in unspent Export-Import credits, and a \$1,000,000 balance on Point IV assistance.

Nevertheless, the Ibanez administration is under heavy pressure to seek some solution for its growing difficulties. Inflation is severe and the government's expenditures are exceeding its income. Ibanez lacks majority support in either house of the legislature, and the 75-year-old president's ability to cope with the situation is weakened further by his failing health.

Available information indicates that Ibanez himself is opposed to copper sales to the Orbit. On 23 August Foreign Minister Fenner stated publicly that there will be no sales to "European firms" as long as the copper negotiations in Washington are in progress. However, Chilean nationalists, Communist groups and fellow travelers, and substantial numbers of the people insist that the copper be sold, if necessary even to nations behind the iron curtain.

CEYLON GOVERNMENT CONTROLS WIDESPREAD UNREST

The widespread rioting and sabotage which began in Ceylon on 12 August in protest against the government's reduction of food subsidies was a result of the most successful cooperation achieved in recent years among the three small but vocal Ceylonese leftist parties. The government, though faced with the difficult problem of dealing with a newly united opposition at the same time that highly unpopular, stringent economy measures are mandatory, has clearly indicated its intention to suppress any further unrest.

The cooperation of the leftist parties, which hold only 13 of the 101 parliamentary seats, apparently resulted mainly from their ability to capitalize on popular opposition to the new austerity budget for 1953-54. This marked the first decisive government effort to readjust the national economy following the end of the Korean war boom. The budget reduces the expenditures of government ministries, restricts other spending, and lowers the food subsidy by nearly 85 percent. Since the withdrawal of food subsidies directly affects the vast majority of the population by almost tripling the price of rice, the leftist opposition has directed most of its activities against this move.

A Communist-led protest demonstration and march on the parliament building on 23 July, when the budget was presented to the parliament, reportedly was planned during June and July, following hints from government officials that a reduction of subsidies would figure in the new budget. The Ceylon Communist Party, with its satellite Lanka Sama Samaj (Revolutionary) Party, attempted to elicit the direct co-operation of other opposition factions, particularly the Trotskyites, to plan this demonstration. There is no indication that they cooperated in its planning, however, though elements of most opposition parties participated in the protest. Police and army personnel successfully dispersed the demonstrators.

The nationwide general strike, which developed on 12 and 13 August into the most serious rioting in Ceylon since World War II, was planned immediately after the 23 July protest. The Communists apparently were successful in obtaining the full cooperation of the Trotskyite group in preparing for the strike, and possibly encouraged the participation of individuals from other opposition parties.

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The government, which was fully prepared for the strike, acted quickly and firmly to end the violence. Armed troops and police were called in when unrest flared into arson and rioting. A dusk-to-dawn curfew was enforced and a state of national emergency was declared, giving broad police powers to the government. On 17 August, following an 18-hour session, parliament passed a bill empowering the government to promulgate emergency regulations and make preventive detentions in anticipation of such public emergencies.

Armed with its new powers, which appear to be more extensive than necessary, the government will probably be successful in enforcing the unpopular measures outlined in the current budget as well as in controlling any further outbreaks of violence on the part of the opposition. If Ceylon's currently slightly favorable trade balance continues throughout 1953, the government may be able to stabilize the economy with the savings achieved by decreased food subsidy payments and with only a slight rise in the cost of living. Its success in this effort, however, will be directly conditioned on Communist China's continued provision on schedule of its commitment of 270,000 metric tons of rice per year under the current five-year Ceylon-China trade agreement.

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SOVIET AIRFIELD PROGRAM IN EUROPEAN SATELLITE AREA

The Soviet program of expanding air facilities in the Eastern European Satellites, as well as the Soviet zones of Germany and Austria, has resulted in the completion of 82 major airfields in this area (see map, p. 19), compared to 62 a year ago and 11 at the close of World War II. A major airfield by definition has a hard-surfaced runway of 6,000 feet or more and can support sustained jet fighter and light bomber operations. Of 82 such fields, 47 are now capable of supporting sustained heavy and medium bomber operations and the others could be rapidly converted to such use.

A Soviet intention to continue the expansion program is evidenced by the fact that at least 20 additional major fields are currently under construction in Eastern Europe. Soviet air capabilities in this area are increased by more than 250 lesser airfields, built for the most part during World War II, which can support operations in varying degrees by conventional fighters, light bombers and transports.

The most extensive construction has taken place in the Soviet zone of Germany, where 26 major fields have been completed since 1948. The program there appears to be tapering off, with only one major airfield under construction now.

An unusual development in the western part of the Soviet zone of Germany, however, has been the so-called "forest clearing program," begun in late 1951, whereby at least four areas about 9500x1750 feet have been cleared of trees, leveled, and planted with grass. Stocks of pierced-steel planking, a prefabricated airfield surfacing material, have been observed at one of these sites. These sites may be intended to serve as auxiliary airfields or for restaging in airborne operations. They may also eventually be converted to major airfields.

Poland has been next in importance in the Soviet program, with 21 major fields completed and six others under construction. Extensive airfield construction and rehabilitation have also been carried out in the other Satellites with the exception of Albania, where work on the first major airfield has only recently been reported.

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In addition to the construction of longer, hard-surfaced runways, the Soviet Union has also concentrated on improving short runways and natural surface landing areas, constructing personnel accommodations and aviation fuel storage facilities, and to a lesser extent, improving hangar, workshop and warehouse facilities. Night lighting and radio aids to navigation have also been installed at many military fields.

Enough aircraft revetments have now been built at 30 airfields in Poland, Hungary, and the Soviet zones of Germany and Austria to take care of approximately 55 percent of all combat aircraft assigned to the Soviet air armies in these areas. This construction work began in July 1952 and is continuing.

This improvement of air facilities, which are located as much as 450 miles west of the USSR, significantly increases the offensive capabilities of Soviet aircraft. Most of Western Europe and part of the United Kingdom are within light bomber range. Additional forward bases are available for medium and heavy bomber operations against the United Kingdom and important Allied peripheral bases and lines of communications. This airfield network also increases the security of the Soviet Union from air attack.

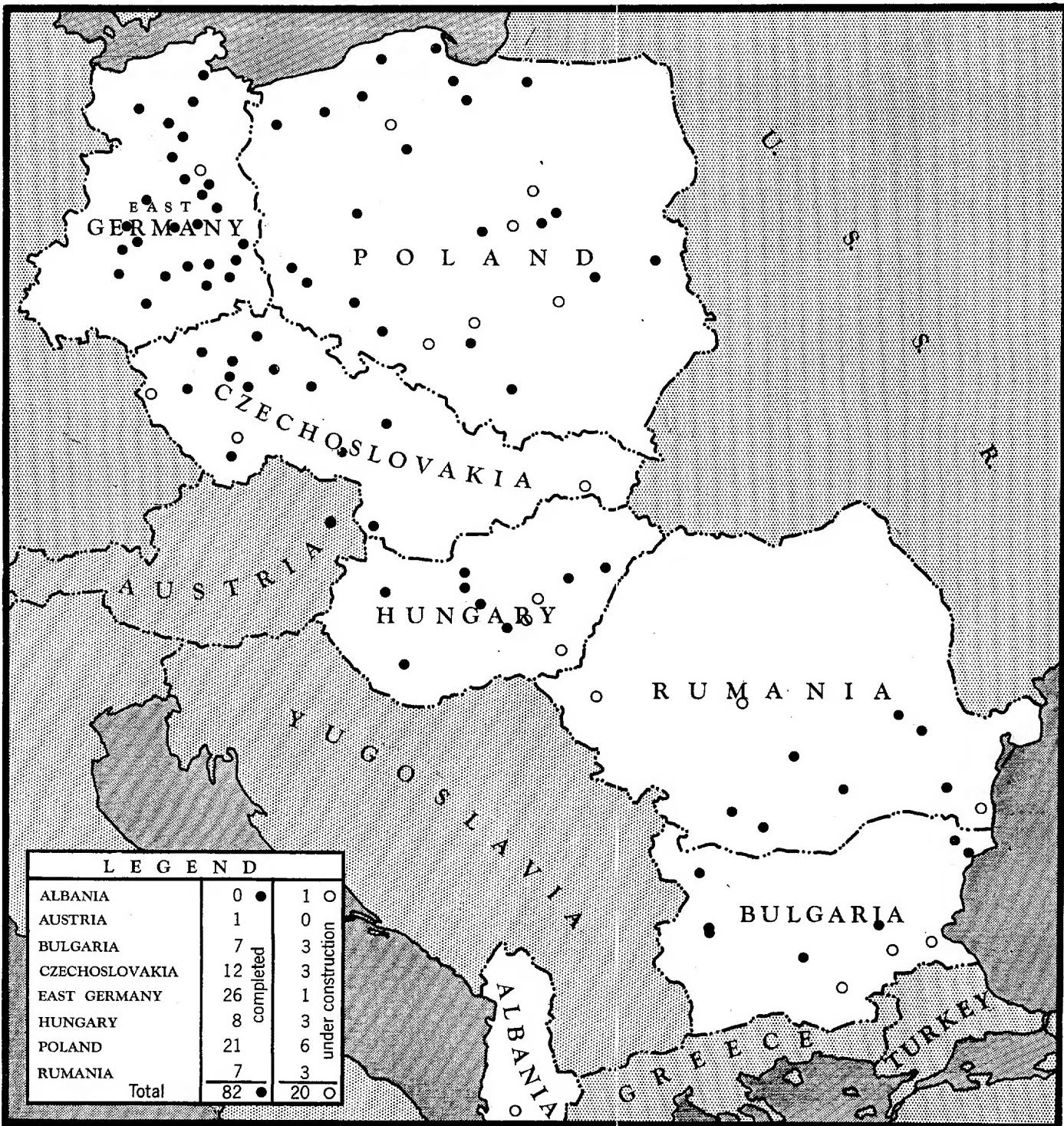
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MAJOR AIRFIELDS IN THE EUROPEAN SATELLITES
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